



**Read Our Other Tips
about Getting and
Keeping Your Home**

- Pitfalls of Buying a Home
- Getting Ready to be a Homeowner
- Finding the Right Mortgage and Realtor
- Land Contracts
- How to Prevent Home Foreclosure

What to do When Facing Home Foreclosure

So ... the unimaginable has happened. For any of various reasons – including job loss, health issues, death, disability, divorce, or some other unexpected crisis – you just cannot make the mortgage payment. What should you do?

The answer may surprise you. According to the experts, the *first* thing you should do is call the lender to let them know what the problem is and what you can or can't do to correct it. Most foreclosure victims never make that call. And the result of wishing the problem away is a foregone conclusion in the real world. You will lose your home.

Think about it. Typically, the lenders do not want your home. They want your house payments. Foreclosure proceedings are court actions involving lawyer's fees. They cost lenders a lot of money (as much as \$40,000 for one proceeding), so often it is in everyone's interest to agree on new terms that modify the current mortgage. However, nothing starts without your phone call. It can be discouraging. You may be placed on hold for up to an hour. Some mortgage companies immediately turn your account over to a collection agency, which may not want to work out new terms if they get paid only to collect your money.

If possible, try to circumvent the collection agency and go right to the mortgage company's "Loss Mitigation" department (it may be called the "Foreclosure Prevention" department) if the mortgage terms become unmanageable. Ask them to send a "work-out" packet to update your financial information, including income, expenses, and other debts. If you qualify, several options may be made available.

- Forbearance Agreement – This is a written repayment plan based on your current financial status. You make your regular payment, plus part of the amount you owe, until you catch up. Some lenders will suspend payments for a month or two.
- Mortgage Modification – The lender may extend the timing on the mortgage loan out over a new thirty-year period and/or reduce your monthly payment.
- Partial Claim – If you have an FHA loan, HUD may consider lending you the money to catch up on what you owe by means of an interest-free loan that you will pay back when you sell the property or pay off your first mortgage.
- Pre-Foreclosure Sale – You may be permitted to sell the property for less than the mortgage balance. This will damage your credit less than an actual foreclosure.
- Deed-In-Lieu of Foreclosure – As a last resort, it may be best for you to give the house back to the lender. This is better for your credit than an actual foreclosure.

EDWARD LEONARD

Franklin County Treasurer

There are five HUD Approved counseling agencies in Franklin County: Columbus Housing Partnership, Homes on the Hill, and Consumer Credit Counseling Services, Mid Ohio Regional Planning Commission and the Columbus Urban League. They are a valuable resource for information on services and programs offered by government agencies.

Columbus Housing Partnership (614-221-8889) has a Mortgage Assistance Program funded by a grant from the State of Ohio. To qualify, the homeowner must earn no more than 50% of the area's median income for a family of that size. So far, CHP has provided \$45,000 in mortgage assistance to about thirty households.

Homes on the Hill (614-275-HOME) has three bilingual counselors who provide foreclosure prevention and counseling as a part of their Homeowner Education services. The counselors will work with the bank and other creditors in an effort to save the home. Consumer Credit Counseling (800-355-2227 or 614-552-2222) will help show you how to get control of your finances, consolidate your debt, and reduce your spending.

People considering a home purchase should try to educate themselves. After all, owning a home is one of the largest investments and biggest responsibilities most of us will take on in our lifetimes. In addition to being able to afford the monthly cost of buying a home, one must be able to afford the property taxes, insurance, and maintenance costs that are necessary to keep up the property. Buyers should be especially careful to understand what the property tax amounts will be. For brand-new houses, the taxes will jump considerably once your new home is finished and you move in.

Above all, *think for yourself*. Don't be talked into buying more home than you are sure you will be able to afford.

You can learn how to protect your investment by attending the Pre-Purchase Homebuyer Education classes offered by the Columbus Housing Partnership. Or you can enroll in their Post-Purchase Default Counseling program. Visit their website at: www.chpcolumbus.org. For classes, programs, and counseling offered by Consumer Credit Counseling, visit their website at www.cccservices.com/home.asp.